

## LKQ Corporation Announces Results for Fourth Quarter and Full Year 2022

February 24, 2023

- Fourth quarter 2022 revenue of \$3.0 billion; parts and services organic revenue increased 4.5% ( 5.9% on a per day basis); annual increase of 5.0% ( 5.2% on a per day basis)
- Record fourth quarter segment EBITDA margins for Wholesale - North America and Europe of 18.5% (330 basis point increase) and 10.0% (110 basis point increase), respectively
- Fourth quarter 2022 diluted EPS<sup>2</sup> of \$0.72 (down 11.1% ); adjusted diluted EPS<sup>1,2</sup> of \$0.78 (down 10.3% )
- Higher tax provision than prior guidance lowered fourth quarter 2022 diluted EPS<sup>2</sup> and adjusted diluted EPS<sup>1,2</sup> by \$0.05
- Fourth quarter negative effect of \$0.03 from increased interest expense
- Annual diluted EPS<sup>2</sup> of \$4.11 (up 12.3% ); adjusted diluted EPS<sup>1,2</sup> of \$3.85 (down 2.8% )
- Annual operating cash flow of \$1.25 billion; free cash flow 1 of \$1.0 billion
- Dividend of \$0.275 per share approved to be paid in the first quarter of 2023
- Deployed \$1.04 billion in 2022 to repurchase 20.5 million shares
- 2023 outlook provided

Chicago, IL. LKQ Corporation (Nasdaq: LKQ) yesterday reported fourth quarter and full year 2022 financial results. “The fourth quarter was a solid operational finish to 2022. Our Wholesale - North America and Europe segments again delivered outstanding organic revenue growth and solid margins, exceeding our expectations for the quarter and year. Importantly, our global teams delivered these results in the midst of rampant inflation, supply chain disruptions, a tight labor market, lower commodity prices, and volatile exchange rates. The execution of our strategy, the resiliency of our business model, and the strength of our balance sheet have the Company well positioned to continue its success and performance in 2023,” noted Dominick Zarcone, President and Chief Executive Officer.

### Fourth Quarter and Full Year 2022 Financial Results

Revenue for the fourth quarter of 2022 was \$3.0 billion, a decrease of 5.8% as compared to \$3.2 billion in the fourth quarter of 2021. On a constant currency

basis<sup>1</sup>, fourth quarter revenue decreased by 0.1%. For the fourth quarter of 2022, parts and services organic revenue increased 4.5% (5.9% on a per day basis), while the net impact of acquisitions and divestitures decreased revenue by 3.1% and foreign exchange rates decreased revenue by 6.1%, for a total parts and services revenue decrease of 4.8%. Other revenue fell 20.1% in the fourth quarter of 2022 primarily due to weaker commodity prices relative to the same period in 2021.

Net income<sup>2</sup> for the fourth quarter of 2022 was \$193 million as compared to \$235 million for the same period in 2021. Diluted earnings per share<sup>2</sup> for the quarter was \$0.72 as compared to \$0.81 for the same period of 2021, a decrease of 11.1%.

On an adjusted basis, net income<sup>1,2</sup> in the fourth quarter of 2022 was \$209 million as compared to \$254 million for the same period of 2021, a decrease of 17.5%. Adjusted diluted earnings per share<sup>1,2</sup> for the fourth quarter of 2022 was \$0.78 as compared to \$0.87 for the same period of 2021, a decrease of 10.3%.

The effective tax rate for the fourth quarter of 2022 was 29.7%, which reflected adjustments to true-up the calculated full year effective rate as well as discrete tax expenses.

Revenue for the full year of 2022 was \$12.8 billion, a decrease of 2.3% as compared to \$13.1 billion for the full year of 2021. On a constant currency basis<sup>1</sup>, full year 2022 revenue increased by 2.8% to \$13.5 billion. For the full year of 2022, parts and services organic revenue increased 5.0% on a reported basis (5.2% on a per day basis), while the net impact of acquisitions and divestitures decreased revenue by 1.2% and foreign exchange rates decreased revenue by 5.5%, for a total parts and services revenue decrease of 1.7%. Other revenue for the full year of 2022 fell 9.2% primarily due to weaker commodity prices relative to 2021.

Net income<sup>2</sup> for the full year of 2022 was \$1.14 billion as compared to \$1.09 billion for the same period in 2021. Diluted earnings per share<sup>2</sup> for the full year of 2022 was \$4.11 as compared to \$3.66 for the same period of 2021, an increase of 12.3%.

On an adjusted basis, net income<sup>1,2</sup> for the full year of 2022 was \$1.07 billion as compared to \$1.18 billion for the same period of 2021, a decrease of 9.4%. Adjusted diluted earnings per share<sup>1,2</sup> for the full year of 2022 was \$3.85 as compared to \$3.96 for the same period of 2021, a decrease of 2.8%.

## Cash Flow and Balance Sheet

Cash flow from operations and free cash flow<sup>1</sup> were \$1.25 billion and \$1.0 billion, respectively, for the full year of 2022. As of December 31, 2022, the balance sheet reflected total debt of \$2.7 billion, and total leverage, as defined in our credit facility, was 1.5x EBITDA.

## Stock Repurchase and Dividend Programs

During the fourth quarter of 2022, the Company invested \$152 million to repurchase 3.0 million shares of its common stock. For the year ended December 31, 2022, the Company invested \$1.04 billion to repurchase 20.5 million shares. Since initiating the stock repurchase program in late October 2018, the Company has repurchased approximately 55 million shares for a total of \$2.4 billion through December 31, 2022. On October 25, 2022, the Board of Directors authorized a \$1 billion increase to the existing share repurchase program, which raised the aggregate authorization to \$3.5 billion, and extended the duration of the program through October 25, 2025.

On February 21, 2023, the Board of Directors declared a quarterly cash dividend of \$0.275 per share of common stock, payable on March 30, 2023, to stockholders of record at the close of business on March 16, 2023.

## Other Events

On January 5, 2023, the Company entered into a new credit agreement with several lenders, at which time the prior credit agreement was terminated. The new credit agreement includes an unsecured revolving credit facility of up to a U.S. Dollar equivalent of \$2 billion and an unsecured term loan facility of up to \$500 million. The revolving credit facility has a maturity date of January 5, 2028, and the term loan has a maturity date of January 5, 2026, each of which maturity dates may be extended for a one-year extension.

## 2023 Outlook

Rick Galloway, Senior Vice President and Chief Financial Officer, commented: “Our 2023 annual guidance reflects our ongoing commitment of creating long-term value for our stockholders through our operational excellence initiatives of driving profitable growth, implementing ongoing margin enhancement programs, and generating robust levels of free cash flow through disciplined capital spending and active working capital management.

As we navigate this period of macro uncertainty and non-operational headwinds, we expect healthy demand for our products and services, solid organic growth and sustained operating momentum across our industry leading business segments.”

For 2023, management is anticipating the following outlook:

	2023 Full Year Outlook
Organic revenue growth for parts and services	6.0% to 8.0%
Diluted EPS <sup>2</sup>	\$3.68 to \$3.98
Adjusted diluted EPS <sup>1,2</sup>	\$3.90 to \$4.20
Operating cash flow	approx. \$1.275 billion
Free cash flow <sup>1</sup>	approx. \$975 million
Free cash flow conversion of EBITDA <sup>1</sup>	55% to 60%

Our outlook for the full year 2023 is based on current conditions and recent trends, and it assumes a global effective tax rate of 26.3%, the prices of scrap and precious metals hold near the December average, and no further deterioration due to the Ukraine/Russia conflict. We have applied foreign currency exchange rates near January average levels, including \$1.08 and \$1.22 for the euro and pound sterling, respectively. The outlook assumes a \$45 million to \$55 million increase in annual interest expense relative to 2022. Changes in these conditions may impact our ability to achieve the estimates. Adjusted figures exclude (to the extent applicable) the impact of restructuring and transaction related expense; amortization expense related to acquired intangibles; excess tax benefits and deficiencies from stock-based payments; losses on debt extinguishment; impairment charges; direct impacts of the Ukraine/Russia conflict (including provisions for and subsequent adjustments to reserves for asset recoverability and expenditures to support our employees and their families) and gains and losses related to acquisitions or divestitures (including changes in the fair value of contingent consideration liabilities).

<sup>1</sup> Non-GAAP measure. See the table accompanying this release that reconciles the actual or forecasted U.S. GAAP measure to the actual or forecasted adjusted measure, which is non-GAAP.

<sup>2</sup> References in this release to Net income and Diluted earnings per share, and the corresponding adjusted figures, reflect amounts from continuing operations attributable to LKQ stockholders.

## Non-GAAP Financial Measures

This release contains (and management's presentation on the related conference call will refer to) non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission. Included with this release are reconciliations of each non-GAAP financial measure with the most directly comparable financial measure calculated in accordance with GAAP.

## Webcast and Presentation Details

The audio webcast and accompanying slide presentation can be accessed at the Investor Relations section on our website ([www.lkqcorp.com](http://www.lkqcorp.com)).

A replay of the conference call will be available by telephone at (800) 770-2030 or (647) 362-9199 for international calls. The telephone replay will require you to enter conference ID: 5232422#. An online replay of the audio webcast will be available on the Company's website ([www.lkqcorp.com](http://www.lkqcorp.com)). Both formats of replay will be available through March 10, 2023. Please allow approximately two hours after the live presentation before attempting to access the replay.

## About LKQ Corporation

LKQ Corporation ([www.lkqcorp.com](http://www.lkqcorp.com)) is a leading provider of alternative and specialty parts to repair and accessorize automobiles and other vehicles. LKQ has operations in North America, Europe and Taiwan. LKQ offers its customers a broad range of OEM recycled and aftermarket parts, replacement systems, components, equipment, and services to repair and accessorize automobiles, trucks, and recreational and performance vehicles.

## About LKQ Europe

LKQ Europe, a subsidiary of LKQ Corporation, with its head office in Zug, Switzerland, is the leading distributor of automotive aftermarket parts for cars, commercial vans, and industrial vehicles in Europe. It currently employs approximately 26,000 people with a network of more than 1,000 branches and approximately \$5.7 billion in revenue in 2022. The organization supplies more than 100,000 workshops in over 20 European countries.

The group includes LKQ Euro Car Parts, LKQ Benelux & France, LKQ RHIAG Group, Elit, LKQ CZ, and LKQ STAHLGRUBER Group, as well as recycling specialist, Atracco. LKQ is the largest shareholder in MEKO Group.

## Forward Looking Statements

Statements and information in this press release and on the related conference call, including our outlook for 2023, as well as remarks by the Chief Executive Officer and other members of management, that are not historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are made pursuant to the “safe harbor” provisions of such Act.

Forward-looking statements include, but are not limited to, statements regarding our outlook, guidance, expectations, beliefs, hopes, intentions and strategies. These statements are subject to a number of risks, uncertainties, assumptions and other factors including those identified below. All forward-looking statements are based on information available to us at the time the statements are made. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

You should not place undue reliance on our forward-looking statements. Actual events or results may differ materially from those expressed or implied in the forward-looking statements. The risks, uncertainties, assumptions and other factors that could cause actual events or results to differ from the events or results predicted or implied by our forward-looking statements include the factors set forth below, and other factors discussed in our filings with the SEC, including those disclosed under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2021 and in our subsequent Quarterly Reports on Form 10-Q, and in our Annual Report on Form 10-K to be filed for the year ended December 31, 2022. These reports are available at the Investor Relations section on our website ([www.lkqcorp.com](http://www.lkqcorp.com)) and on the SEC’s website ([www.sec.gov](http://www.sec.gov)).

These factors include the following (not necessarily in order of importance):

- our operating results and financial condition have been and will likely continue to be adversely affected;
- by the COVID-19 pandemic and could be adversely affected by other public health emergencies;
- our operating results and financial condition have been and could continue to be adversely affected by the economic, political and social conditions in North America, Europe, Taiwan and elsewhere, as well as the economic health of vehicle owners and numbers and types of vehicles sold;
- we face competition from local, national, international, and internet-based vehicle products providers, and this competition could negatively affect our business;
- we rely upon our customers and insurance companies to promote the usage of alternative parts;
- intellectual property claims relating to aftermarket products could adversely affect our business;
- if the number of vehicles involved in accidents or being repaired declines, or the mix of the types of vehicles in the overall vehicle population changes, our business could suffer;
- fluctuations in the prices of metals and other commodities could adversely affect our financial results;
- an adverse change in our relationships with our suppliers, disruption to our supply of inventory, or the misconduct, performance failures or negligence of our third party vendors or service providers could increase our expenses, impede our ability to serve our customers, or expose us to liability;
- if we determine that our goodwill or other intangible assets have become impaired, we may incur significant charges to our pre-tax income;

- we could be subject to product liability claims and involved in product recalls;
- we may not be able to successfully acquire new businesses or integrate acquisitions, and we may not be able to successfully divest certain businesses;
- we have a substantial amount of indebtedness, which could have a material adverse effect on our financial condition and our ability to obtain financing in the future and to react to changes in our business;
- our senior notes do not impose any limitations on our ability to incur additional debt or protect against certain other types of transactions, and we may incur additional indebtedness under our credit agreement;
- our credit agreement imposes operating and financial restrictions on us and our subsidiaries, which may prevent us from capitalizing on business opportunities;
- we may not be able to generate sufficient cash to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful;
- our future capital needs may require that we seek to refinance our debt or obtain additional debt or equity financing, events that could have a negative effect on our business;
- our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly;
- repayment of our indebtedness is dependent on cash flow generated by our subsidiaries;
- a downgrade in our credit rating would impact our cost of capital;
- the amount and frequency of our share repurchases and dividend payments may fluctuate;
- existing or new laws and regulations, or changes to enforcement or interpretation of existing laws or regulations, may prohibit, restrict or burden the sale of aftermarket, recycled, refurbished or remanufactured products;
- we are subject to environmental regulations and incur costs relating to environmental matters;
- we may be adversely affected by legal, regulatory or market responses to global climate change;
- our amended and restated bylaws provide that the courts in the State of Delaware are the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees;
- our effective tax rate could materially increase as a consequence of various factors, including U.S. and/or international tax legislation, applicable interpretations and administrative guidance, our mix of earnings by jurisdiction, and U.S. and foreign jurisdictional audits;
- if significant tariffs or other restrictions are placed on products or materials we import or any related counter-measures are taken by countries to which we export products, our revenue and results of operations may be materially harmed;
- governmental agencies may refuse to grant or renew our operating licenses and permits;
- our employees are important to successfully manage our business and achieve our objectives;
- we operate in foreign jurisdictions, which exposes us to foreign exchange and other risks;
- our business may be adversely affected by union activities and labor and employment laws;
- we rely on information technology and communication systems in critical areas of our operations and a disruption relating to such technology could harm our business;
- the costs of complying with the requirements of laws pertaining to the privacy and security of personal information and the potential liability associated with the failure to comply with such laws could materially adversely affect our business and results of operations;
- business interruptions in our distribution centers or other facilities may affect our operations, the function of our computer systems, and/or the availability and distribution of merchandise, which may affect our business;

- if we experience problems with our fleet of trucks and other vehicles, our business could be harmed;
- we may lose the right to operate at key locations; and
- activist investors could cause us to incur substantial costs, divert management's attention, and have an adverse effect on our business.

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